

CITY OF BRUNSVILLE, IOWA
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2015 THROUGH JUNE 30, 2016

Table of Contents ---

Officials	1
Independent Accountant’s Report on Applying Agreed-Upon Procedures	2-3
Detailed Recommendations.....	4-6

Officials

Name	Title	Term Expires
(Before January, 2016)		
Elected Officials		
Steve Dickman	Mayor	January, 2018
Darvin Ladenthin	Council Member	January, 2016
Kathy Renken	Council Member	January, 2018
Gabe Roetman	Council Member	January, 2018
Ken Krienert	Council Member	January, 2018
Jim Goodmanson	Council Member	January, 2016
Appointed Officials		
Bev Hultquist	City Clerk	Indefinite
(After January, 2016)		
Elected Officials		
Steve Dickman	Mayor	January, 2018
Nick Dickman	Council Member	January, 2020
Kathy Renken	Council Member	January, 2018
Gabe Roetman	Council Member	January, 2018
Ken Krienert	Council Member	January, 2018
Jim Goodmanson	Council Member	January, 2020
Appointed Officials		
Bev Hultquist	City Clerk	Indefinite

Independent Accountant's Report on Applying Agreed-Upon Procedures —

To the Honorable Mayor and
Members of the City Council
City of Brunsville, Iowa

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Brunsville for the period July 1, 2015 through June 30, 2016. The City of Brunsville's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's (CFC) recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2015 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.

7. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
8. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
9. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended COA.
10. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
11. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
12. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of noncompliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the City of Brunsville, the objective of which is the expression of opinions on the City's financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Brunsville, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Brunsville and other parties to whom the City of Brunsville may report. This report is not intended to be and should not be used by anyone other than these specified parties.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
October 20, 2016

Detailed Recommendations



Detailed Recommendations

For the Period July 1, 2015 through June 30, 2016

- (A) **Segregation of Duties** - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:
- (1) Accounting system - performing all general accounting functions and having custody of assets.
 - (2) Cash - handling, reconciling and recording.
 - (3) Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
 - (4) Utilities - billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable and write-off records.
 - (5) Debt - recordkeeping, compliance and debt payment processing.
 - (6) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
 - (7) Payroll - entering rates into the system, recordkeeping, preparing, signing and distributing.
 - (8) Computer system - performing all general accounting functions and controlling all data input and output.
 - (9) Financial reporting - preparing and reconciling.

Recommendation - We realize that segregation of duties is difficult with the limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) **Questionable Disbursements** - We selected 30 disbursements for testing. We found \$500 was disbursed to a museum and \$250 was disbursed to Mid Sioux Opportunities. These disbursements may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefit to be derived has not been clearly documented.

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation - The City Council should determine and document the public purpose served by this disbursement before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper public purpose documentation.

Detailed Recommendations

For the Period July 1, 2015 through June 30, 2016

- (C) **City Council Minutes** - Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings include total disbursements from each fund. All four monthly minutes reviewed did not include total disbursements from each fund.

Recommendation - The City should comply with the Code of Iowa and include total disbursements by fund in the minutes.

- (D) **Annual Financial Report (AFR)** - The 2015 AFR reported all Road Use Tax expenditures and loan proceeds in the General Fund. The beginning fund balances for the Road Use Tax Fund and the General Fund did not agree to the prior year ending balances reported in the June 30, 2014 AFR.

Recommendation - The City should report the Road Use Tax Fund as a special revenue fund and debt proceeds and repayments in a debt service fund. The City should also ensure that the current year AFR beginning balances agree with the prior year ending balances.

- (E) **Bank Reconciliations** - Bank balances were not reconciled to the book balances recorded in the City's accounting system, and the reconciliations were not reviewed by an independent person.

Recommendation - The City should establish procedures to ensure bank account balances are reconciled to the book balances monthly, and the reconciliations should be reviewed by an independent person. Variances, if any, should be reviewed and resolved timely.

- (F) **Financial Reporting** - The City Clerk's financial reports to the City Council included cash balances and month-to-date receipts and disbursements, but did not include year-to-date summaries for comparisons to the certified budget by function or a summary of beginning balance, receipts, disbursements, transfers and ending balance by fund.

Recommendation - To provide better control over budgeted disbursements and opportunity for timely amendments to the certified budget, the City Clerk's monthly financial reports to the City Council should include comparisons to the certified budget by function. Also, for better financial information, the monthly reports should also include the beginning balance, receipts, disbursements, transfers and ending balance for each fund.

- (G) **Electronic Check Retention** - Chapter 554D.114 of the Code of Iowa allows the City to retain canceled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each canceled check. The City does not receive an image of the back of each canceled check.

Recommendation - The City should obtain and retain images of both the front and back of canceled checks as required by Chapter 554D.114 of the Code of Iowa.

- (H) **Payroll** - The salaries for the City Clerk and the Minute Recorder were not documented in the City Council minutes.

Recommendation - Salaries of employees should be approved by the City Council and adequately documented in the City Council minutes and the employees' personnel files.

Detailed Recommendations

For the Period July 1, 2015 through June 30, 2016

- (I) **Reconciliation of Utility Billings, Collections and Delinquent Accounts** - Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation - Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council, or other independent person designated by the City Council, should review the reconciliations and monitor delinquent accounts. The review of the reconciliation should be evidenced by the signature or initials of the reviewer and the date of the review.

- (J) **Deposits and investments** - The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, a resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation - The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

- (K) **Chart of Accounts** - The City has not fully implemented the City Finance Committee's (CFC) recommended Uniform Chart of Accounts (COA) for Iowa City Governments approved by the CFC on September 25, 2002.

Recommendation - To provide better financial information and control, the recommended COA, or its equivalent, should be followed.

- (L) **Disbursements** - Invoices and other supporting documentation were not always available to support disbursements. Supporting documentation for 5 of the 30 disbursements tested could not be located. Two of the 30 disbursements included sales tax paid by the City due the disbursements being reimbursements to employees and City Council members.

Recommendation - All disbursements should be supported by invoices or other supporting documentation. The City should avoid having employees and City Council members purchase items for the City with their personal accounts in order to avoid paying sales tax on items purchased.

- (M) **Bank Loan Agreement** - On September 18, 2015, the City received \$145,262 of loan proceeds for a street project. The loan was never formally approved by the City Council in the meeting minutes.

Recommendation - The City Council should formally approve all such transactions in the future.

- (N) **Debt Service** - General Obligation note payments were made from the General Fund rather than the Debt Service Fund as required by Chapter 384.4 of the Code of Iowa. The City has not established a Debt Service Fund.

Recommendation - The City should establish a Debt Service Fund and General Obligation note payments should be recorded in that fund as required by Chapter 384.4 of the Code of Iowa.